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GENERAL

1. Chinese Communist intervention in Korea--The US Military Liaison Officer in Hong Kong transmits a report that the Peiping regime has decided to take military action in North Korea.

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400,000 Chinese Communist troops had been moved to the Korean border and alerted to cross on the night of 18 October or "two days later."

(CIA Comment: For some time the Chinese Communists have possessed the capability for direct military intervention in the Korean conflict. CIA believes, however, that the optimum time for such action has passed. The USSR and China are not considered at this time to be willing to assume the increased risk of precipitating a third World War which would result from direct Chinese Communist intervention in Korea.)

2. UK to urge French pledge to Indochina--US Embassy London reports that UK Ambassador Harvey in Paris has been authorized to urge the French to make a formal pledge to release control over Indochina, although without specifying a time limit as the UK had planned to suggest earlier. As an incentive, Harvey is authorized to offer UK assistance in winning Asian support of the French position and the elevation of the UK diplomatic mission in Saigon to a Ministry.

(CIA Comment: A French pledge to release control over Indochina, even without a time limit, would have a salutary effect on non-Communist Vietnamese nationalists, who would regard such a French pledge as an abandonment

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of the evolutionary 8 March agreements. Asian governments which have thusfar refused to support the Bao Dai Government might moderate their strong suspicion of French policy as a result of such an action, but they would wait for an even firmer French commitment before aligning themselves in support of the Bao Dai regime.)

3. UK feels pressure on Egypt is effective--US Embassy London reports that the British Foreign Office considers its recent suspension of certain arms shipments to Egypt to have had a "salutary effect" on Anglo-Egyptian relations. Although the Foreign Office is aware that the Egyptian reaction has been "sharp and severe" and admits that the Anglo-Egyptian defense impasse has not moved closer to solution, the British believe the suspension of arms shipments has made the Egyptians aware of the consequences of their "non-cooperative attitude" on mutual defense arrangements. The Embassy adds that Foreign Secretary Bevin has no immediate plans for further talks with Egypt about the defense situation and thinks it best to let the Egyptians "worry about it" for a while.

(CIA Comment: CIA believes that the Foreign Office is overconfident regarding this matter. Although the UK's action will certainly make Egypt more aware of its military dependence on Britain, such considerations are unlikely to make the emotionally aroused Egyptians more willing to compromise for some time.)

## EUROPE

4. GERMANY: Opposition to Schuman Plan growing--US Deputy High Commissioner Hays in Bonn reports that Rosenberg, a trade union leader and delegate to the Schuman Plan discussions, recently expressed the opinion that although some formal agreement is sure to be signed, there is little prospect for the Plan

becoming a reality. Rosenberg, whose opinion is supported by various Socialist leaders, cited as special difficulties: (a) the tendency of Monnet to dismiss critical technical issues as secondary to "agreement in principle"; and (b) the opposition of German coal mining interests to subsidizing the high-cost Belgian mines after tariff and trade barriers on coal have been removed. The US Liaison Officer in Bonn comments that, with opposition to the Plan continuing in the Socialist Party and growing in German heavy industry, the German Government itself seems to be the only powerful political force in Germany now striving for attainment of the political advantages inherent in the plan.

(CIA Comment: CIA believes that despite frequently expressed Socialist and industrialist opposition to the Schuman Plan, the Adenauer Government will approve the final treaty provided that a very substantial measure of German control over German industry is guaranteed by the Occupation Powers.)

Views on remilitarization--US High Commissioner McCloy estimates, on the basis of conversations with various German political and military personalities, that the general feeling prevails that Germany should not have a national army; the proposal for German contingents in a European defense force has received considerable support, but remains a controversial and delicate matter. German sentiment favors a German civilian ministry to exercise strict control over recruiting and administration of German contingents. Divisional units should be the largest permitted, but these should be balanced ground units. No limitation should be placed on any type of ground force equipment or arms. No aircraft or heavy armament should be produced in Germany. The German contribution to Western European defense should be offset by a reduction in occupation costs. In regard to how quickly the Germans could make a military contribution to West European

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defense, McCloy feels that eighteen months would be a very conservative estimate and could probably be reduced by at least one-third.

(CIA Comment: CIA agrees with the High Commissioner's evaluation of general German sentiment on these aspects of the German role in West European defense. CIA believes, however, that: (a) the German Federal Government is ready to agree now to military contributions to European defense; and (b) extended delay in its decision on the matter might, as a result of the diminishing sense of urgency following the UN victories in Korea, broaden popular opposition to the idea and force a change in German official thinking.)

5. SWEDEN: Increased export prices cause concern--US Ambassador Butterworth in Stockholm reports that the Swedish Prime Minister recently stated that he is very worried about the rapid increase in the prices of Swedish exports, particularly forest products, because the rise may contribute to inflation in Sweden. The Prime Minister commented that the only feasible action the government could take would be to levy a special tax which would absorb the excess profits created by the rise in export prices.

#### FAR EAST

6. INDOCHINA: Bomber Group needed urgently--US Consulate Hanoi reports that the French have admitted abandonment of Langson, the last major post in the eastern section of the Sino-Vietnam frontier. Meanwhile, US Minister Heath in Saigon transmits a report [redacted] that General Juin is expected to decide shortly whether to

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evacuate the entire Tonkin delta and establish a new defense line in northern Annam. Heath comments that if the US wishes to "influence the situation by military means," it is imperative that the movement of the promised light-bomber group presently scheduled to arrive in Indochina by mid-December be accelerated to the utmost. Heath feels the accelerated delivery of these aircraft appears to be one of the few measures available to the US "short of direct intervention by carriers."

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